

**GOVERNOR'S ENERGY POLICY TASK FORCE
MEETING MINUTES**

OCTOBER 19, 2000

**IOWA UTILITIES BOARD HEARING ROOM
350 MAPLE STREET
DES MOINES, IOWA**

MEETING MINUTES

The first meeting of the Governor's Energy Policy Task Force was called to order by John Norris at 10:00 a.m. on Thursday, October 19, 2000 at the Iowa Utilities Board Hearing Room, 350 Maple Street, Des Moines, Iowa.

MEMBERS PRESENT	MEMBERS ABSENT
David Hurd	John Sellers
Lee Clancey	Howard Shapiro
Don Wiley	
Lana Ross	
George VanDamme	
Lisa Davis-Cook	
Brenda Dryer	
Kevin Eekhoff	
Joyce Mercier	
Kent McLaughlin	
Sandy Opstvedt	
Roger Amhof	

Opening remarks by Governor's staff

JOHN NORRIS:

Thank you all for coming today and agreeing to serve on the governor's energy policy task force. I have not had a chance to meet very many of you yet. I am John Norris with the governor's office. Some of you I may have talked to or you may have talked to Jo Oldson or Kathy Jury from the Governor's staff. We appreciate your willingness to make this commitment. You will hear from the governor at noon today about his vision and what he would like to focus on and accomplish so I won't be repetitive with that other than to say that this is a critical issue for the state to address. Hopefully you will get a chance to review the material to get some sense of the magnitude of this issue. I will say that I spent hours, days, weeks and months in this room last year at about this time for about 5 months as we worked through the issue of electric restructuring. Many of the people you see around you are very familiar faces to me, so I have a sense of what you are about to tackle. I knew nothing about energy issues other than where the light switch was and how to turn my car on and get gas from the gas pump when I started that process a little over a year ago. The magnitude of this can be a little intimidating at first, but it is not and you will pick it up quickly. As you read in the materials, this is an issue we have to address as a state policy issue. So you serve an important function here. There is a lot of interest in this issue. As you see by this group, it is not a typical task force meeting in state government. This is a crowd of folks who are interested in this issue and a lot of people will be providing you information and making themselves available to you to help you understand this issue. On the staff side, Jo Oldson is with me. Jo Oldson is the governor's policy advisor on commerce issues, which includes the Iowa Utilities Board and the issue of energy. We also have worked with four state departments that are involved in this issue that will be available to you. You will hear from several of them today.

The Department of Natural Resources, from their office is Sharon Tahtinen. Sharon will be the lead person for organization for the support of Lee, David and all of you. She will work with the state agencies to coordinate support and organization for this task force. Monica Stone is also here from the DNR and will be working with you from the DNR perspective.

Joan Conrad will be here to help you. She is on the staff here at the Iowa Utilities Board. Members of the Iowa Utilities Board Diane Munns, Allan Thoms and Susan Frye are also here.

The Department of Human Rights, which has the Division of Community Action Agencies and is responsible for low-income energy assistance. Jerry McKim is here and Bill Brand, the administrator of the Division of Community Action Agencies will be involved in this effort as well.

Rose Wazny from the Department of Economic Development, Division of Community and Rural Development is here for an economic development perspective on this issue.

You will get to know these folks and hopefully get the sense of what the State of Iowa can offer you in terms of information or just answering any questions you might have on this issue. This task force does not have a budget because it was formed after the legislative session ended, so we are still working with some housekeeping issues. I would say that if you do have an organization, business or sponsor that could reimburse you for expenses, that is a good thing. If you do not, we are working at getting some means to help with expenses of this task force. Probably between now and the next meeting we will have that sorted out, so I appreciate your patience with that. We are working through that with the state agencies and our state budget. Then finally, I just want to thank David and Lee for their willingness to co-chair this task force. They are two great co-chairs, and I will let them begin introductions of themselves with you.

OPENING REMARKS BY CO-CHAIRS

LEE CLANCEY:

Thanks John. Dave and I are very pleased to be working with this committee, though we probably don't know a whole lot more about where we're going than any of you do. What we have preliminarily talked about is that we would like this to be, committee wise at least, as informal and interactive as possible. I think there are a number of issues we need to address at the end of the meeting today. Issues having to do with our timeline. What the expectations are, not only from the Governor's perspective, but also from our own perspectives. What our expectations are of the task force. How many meetings we should have. When we should meet. Where we should meet. The logistics of all those things. How to develop agendas for future meetings. How to move toward some sort of a work product at the end of the task force. We have until October 2001 to produce or make recommendations, but in the interim, there are some steps we need to target as well. I think we need to discuss how to accommodate requests from people outside the task force to be on the agenda. Are we going to allow public comment? How will we make decisions? I think that is an important element on how this committee comes together. In basic terms, how this committee will operate. Please give some thought to that over the course of today. We will discuss these issues and any concerns at the end of the day. I believe today we are going to get a pretty good snap shot of what is out there. After Dave makes some comments, what I would like to have happen, is for everybody around the table to go around and say who you are, where

you are from, how you came to be on the task force and some of your expectations of the task force. I would like to then go around the audience having people introduce themselves and tell us what their affiliation is with the task force.

DAVID HURD:

One of the things I might ask staff to think about is to get us a list of who the people are, for example, board members of the Iowa Utilities Board, board members of other committees that are relevant to this enterprise. I would also like a listing of who attends the meetings. This way we can begin to build an understanding of who the interested parties are and learn their names and affiliations. The Governor told Lee and I that he has assembled 14 of the finest minds in Iowa to be on this task force. He has very high expectations for the result we are going to produce. I don't know what your reaction was to reading the advance materials Mine was "holy cow." I got through it, but there is a lot to absorb, and we are going to be much older and wiser when we are done with this process. I will start the introductions by introducing myself, my name is Dave Hurd. I live here in Des Moines. In my active business career I was with the Principal Financial Group. I wound up that career as Chairman and CEO. I have been retired now for about 5 years. I am filling my time doing a wide variety of volunteer activities. I am also President of the Iowa Environmental Council.

INTRODUCTORY STATEMENTS BY TASK FORCE MEMBERS

BRENDA DRYER:

My name is Brenda Dryer and I work as the economic developer for Clay and Dickinson counties in NW Iowa. I make my home in the Okoboji area, but my primary office is in the largest community I serve which is Spencer. I believe I have been asked to serve on this committee because I am actively involved in economic development with this state. I have been in that position now for almost two years. Interestingly enough, prior to being in economic development for that corridor region, I did work in economic development for a rural electric cooperative. So I have almost 5 years experience in working in the REC environment. I am very involved in the Spirit Lake community. My husband is a teacher in the Spirit Lake Community School District. The Spirit Lake Community School District has one wind turbine and is working to construct a second. There are many different reasons that I had an interest when I was asked to serve on this group, but mainly because I'm an economic developer.

KEVIN EEKHOFF:

My name is Kevin Eekhoff. I am president of the First National Bank in Akron Iowa. I was recommended or referred by someone at the Iowa Energy Center. The bank at Akron financed a wind turbine at the Akron Community School District about two years ago. The Iowa Energy Center was involved in that project.

JOYCE MERCIER:

My name is Joyce Mercier. I am a retired professor from Iowa State University. I am currently serving on a state legislative committee of AARP, and I was nominated by AARP.

KENT MCLAUGHLIN:

My name is Kent McLaughlin. I live in Clive. I am the president/owner of a small business in central Iowa with 10 locations. I came to this board through many different civic organizations that I belong to and some small business associations and so forth. They heard about this, and my name just kept coming up.

SANDY OPSTVEDT:

My name is Sandy Opstvedt. I live in Story City. I am president of the IBEW state conference, and I am on the executive board for the Iowa Federation of Labor. I believe I was appointed to this group in order to have participation from the people that work in the energy industry.

ROGER AMHOF:

Hi, I'm Roger Amhof. I'm from Eldridge, Iowa, just north of Davenport. I was asked to serve on the committee by the Iowa Motor Trucking Association here in Des Moines. My expectation is that they probably wanted someone from the transportation sector, and I guess I'm the guy.

DON WILEY:

My name is Don Wiley. I am from Mt Pleasant. I am serving because the Governor asked me. My family is involved in construction and economic development, and I think we would probably look at it from those eyes. I share David's awe in all the materials we have to read, but have started to get a little more familiar with the initials the second time around. Glad to be here.

LANA ROSS:

I am Lana Ross. I am the legislative advocate for the Iowa Conference of the United Methodist Church. The Methodist Church has a strong commitment to low-income families and the needs of the poor. I will bring those concerns to our discussion and debate.

GEORGE VANDAMME:

I am George VanDamme. I am manager of energy management for Deere & Company Corporations. The reason I'm here is I represent business. The Association of Business and Industry asked me. The real reason I'm here is that Deere & Company is a long time corporate citizen of Iowa. It has substantial investment in Iowa. John Deere has more than \$2.1 billion in total assets in Iowa. We employ 10,600 people in Iowa, which is over 25% of our worldwide employment. We have a total payroll of slightly less than \$516 million dollars per year. We buy, through Iowa suppliers, some \$700 million of supplies per year. So we have a substantial interest in maintaining operations in this state. We are also interested in the continued supply of reliable and highest value electricity and natural gas sources we can get. In reading the materials, as I mentioned to a few of you, the future looks cold, dark and expensive.

LISA DAVIS-COOK:

My name is Lisa Davis-Cook. Before quitting work to become a full-time mom again in May, I worked for the Iowa Citizen Action Network (ICAN). ICAN is a consumer and environmental watchdog group working mainly in the areas of energy efficiency, renewable energy and the environment. I was with John and others in this room for many, many days talking about electric utility deregulation. I think my purpose here on the commission is that I have a little background on these issues. These things were not as foreign to me as they may have been to some others. So I hope I can lend some background and some knowledge to those of you who may not have been exposed to this before.

LEE CLANCEY:

Thank you all. I didn't introduce myself. I'm Lee Clancey, I am the Mayor of Cedar Rapids. The Governor asked me to co-chair this committee with David.

FACTS CONCERNING THE CONSUMPTION AND PRODUCTION OF ELECTRIC POWER IN IOWA

LISA STUMP, Manager, Policy Development, Iowa Utilities Board

This report was a contributory effort between Mid-American Energy, Alliant Energy, Iowa Association of Rural Electric Cooperatives, Iowa Association of Municipal Utilities and the Iowa Utilities Board. This report is simply data compilation so that any stakeholder group could take and do their own report on that data. The emphasis of the report is reliability due to that being a main concern brought up throughout the report.

There are three utility types in Iowa. Investor-owned utilities (IOUs) i.e., Mid-American Energy and Alliant Energy; Rural Electric Cooperatives (RECs); and Municipal Utilities. These are mapped out on the service territory map (Figure 1-1). Basic Statistics by Type of Utility are shown on Table 1-1. Figure 1-2 shows Inter-connects and Regional Reliability Councils. Most of Iowa is in the MAPP region, even though there is a portion of eastern Iowa which is in the MAIN region. Both regions are members of North American Electric Reliability Council (NERC).

Interaction of supply and demand was explained in the presentation through slides Figure 2-1, Figure 2-2, Figure 2-3 and Figure 2-4. This reliability issue shows if we have adequate supply to meet demand. The slides also define the capability, loads and peak within the system.

The supply side is the existing generation of the Iowa utility owned generation which includes the Cooper contract and Investor Owned Utilities (IOUs) wind contracts.

There are two types of electric demand. One is energy--the consumption of kilowatt hours by customers. The other is load--demand at the time of the utility systems peak. Load is much more important for planning reliability purposes in the system. These were explained in the presentation through Table 2-1, Table 2-3, Tables 2-10 through 21. Iowa has required utilities to offer energy efficiency programs since 1990. These programs have had a positive benefit to Iowa using any of three tests: 1) the societal test, which is the economic test used by the Iowa Utilities Board; 2) adding in investor owned utility returns, rewards and carrying charges; and also 3) adding in consumer incentives. Copies of this report are available in .pdf format through the Iowa Utilities Board website: <http://www.state.ia.us/government/com/util/>

THE NATURAL GAS INDUSTRY AND ITS REGULATORY ENVIRONMENT, NATIONALLY AND IN IOWA

JOHN HARVEY, Manager, Energy, Iowa Utilities Board

This report is compiled with data from documents already provided by utilities with a few additional requests of the utilities for information.

This report explains regulation in the natural gas industry. The federal government has two entities responsible for natural gas utility regulation: The Federal Energy Regulatory Commission (FERC) and the U.S. Department of Transportation. On the state level, the Iowa Utilities Board regulates rates, service and safety within the state of Iowa.

The report examines:

- Natural gas use and the seasonality of that use.
- Natural gas production regions.
- Natural gas pricing.
- Customer and revenue data for investor owned and municipal utilities.
- Energy efficiency expenditures and savings for Investor Owned Utilities and Municipal Utilities.
- Percentage of different types of construction for investor owned and municipal utility transmission and distribution lines.

Copies of this report are available in .pdf format through the Iowa Utilities Board website: <http://www.state.ia.us/government/com/util/>

GOVERNOR'S LUNCHEON ADDRESS:

Governor Tom Vilsack

I appreciate all of you expressing a willingness to be involved in this process. Particularly Mayor Clancey and Dave Hurd for being willing to co-chair this effort. It became fairly obvious as a result of discussions and conversations in the 2000 legislative session. Legislature talked about restructuring the utility industry, that there were an awful lot of unanswered questions, a lot of concern, a lot and different view points on energy. It was also clear, as I got more involved in this, that there were bits and pieces of a coherent plan and program in energy policy but, not a comprehensive overall energy policy that the State of Iowa could promote. There is a very similar situation with our housing situation. There were bits and pieces of concepts and ideas but not an overall comprehensive direction that would help dictate what state policy should be and what we should look at in terms of state policy. The issue of energy, frankly, is not something a whole lot of folks think about until the lights go off. But we are beginning to see signs of the importance of it: high energy costs this winter and brownouts in other states that have restructured their industry.

There are questions to be asked and they need to be answered. Those questions fundamentally are: What do we currently consume in terms of energy? What are our generating capacities? What do we project them to be in the future? What will our capacities be in the future to meet that demand, if it is to be increased? And if there is a gap between what we produce and what we need, what strategies we ought to use in this state to deal with those potential problems?

There is probably no more important a group of folks working at our request, than you folks. There are perhaps no greater challenges be presented to a group of lowans than the set of challenges being presented to this group. Each of you, I'm sure, come from diverse backgrounds, both in terms of what you do day-to-day but also in terms of your attitudes of energy issues. Your challenge will be to develop a policy that can be applied statewide that will go beyond the special interests and address the common interest of reliable energy sources at an affordable cost. I am not going to underestimate the job we asked you to do.

I'm not going to underestimate or over emphasize the importance of the job you do because it's going to help drive, to a certain extent, economic development in this state.

There needs to be a greater awareness on the part of regular Iowans about these issues. I think if there is a better understanding, a greater consensus can be developed over time as to what our position should be. How extensively do we get into the alternative energy production process. What do we subsidize? What don't we subsidize? What do we promote? And under what circumstances, would it be appropriate for the industry to be restructured? How do we deal with the issue of energy efficiency? How do we manage the cost of energy for low- to moderate-income families? These are all very critical issues that cropped up during the course of the recent discussion. All of them basically come back to the fundamental questions. What energy supplies do we need? How are we generating them. What are our future expectations? And what obstacles do those expectations create.

I want to take an opportunity to thank you for your willingness to be involved in this task force, to emphasize the importance of it to the state. Also, to indicate we are very pleased that our Iowa Utilities Board, Department of Natural Resources, and Department of Economic Development can provide the facts and figures upon which your deliberations can take place.

I appreciate the co-chairs compelling us to give you a clear and direct vision as to what we expected from this group. This can be a fairly broad ranging discussion depending upon how far you want to go with it. Thanks very much for taking the time. I assure you that we take these recommendations seriously. This isn't about window dressing.

AFFORDABILITY OF CONSUMERS ENERGY USE

Jerry McKim, Bureau Chief, Energy Assistance, Iowa Department of Human Rights

Presented a report on the Low-Income Home Energy Assistance Program (LIHEAP) including a copy of the oral testimony given at a full committee hearing before the Committee on Health, Education, Labor and Pensions of the United States Senate. LIHEAP is a federally funded block grant administered by the Iowa Department of Human Rights. It is designed to help eligible low-income Iowa households in the payment of residential heating costs. The state contracts with community action agencies throughout the state for local program delivery. Payments are made directly to energy suppliers for households which heat with natural gas, electricity, liquid propane, fuel oil, wood and coal. Last year this program assisted 62,005 Iowa households affecting 147,638 Iowans. The average assistance award was approximately \$204.00

Included in this presentation was a copy of the Iowa LIHEAP Energy Survey titled "Iowa's Cold Winters: LIHEAP Recipient Perspective. "

HEATING AND TRANSPORTATION FUELS OUTLOOK

David Downing, Energy Data Analyst, Energy Bureau, Iowa Department of Natural Resources

This presentation gives a breakdown of Iowa's residential heating sources:

- 65% natural gas

- 14% propane
- 10% electricity
- 5% heating oil
- 5% alternative sources

The presentation also explained fuel pricing, and different factors that affect the pricing. Reasons for higher natural gas prices are attributed to:

- loss of rig production
- increased use of natural gas for electric generation
- robust economy
- infrastructure problems
- electronic trading
- growing customer base

Report explains various factors on natural gas consumption. Reasons for higher crude oil costs are:

- OPEC compliance with production cuts
- Asian economy returns which called for more crude oil
- World and U.S. demand increases
- Import dependence
- Domestic and international events
- OPEC's lack of excess capacity

Report explains refineries and refining capacities in regards to the effects of pricing.

The report offered an explanation of how the higher fuel costs affect the propane, diesel, gasoline supply and prices here in Iowa.

POTENTIAL AND COSTS OF ENERGY EFFICIENCY AND RENEWABLE ENERGY IN IOWA

Monica Stone, Executive Officer, Energy Bureau, Iowa Department of Natural Resources

Iowa has benefited from a history of strong energy efficiency programs. Because of the 1990 legislation we have saved a lot of energy. Iowa has started using alternative energy sources such as wind, ethanol and biomass. State government has led Iowa to improve energy efficiency in schools, state buildings, and the state vehicle fleet. Energy efficiency can help Iowans be less vulnerable to energy price spikes.

The presentation explained energy consumption patterns and energy intensity for Iowa. Energy intensity is defined as the energy consumption per unit of output. George VanDamme asked for a chart of the gross state product. This could be used to better explain the consumption and intensity patterns for Iowa compared to surrounding states for the task force members. (Provided to task force members.)

The presentation also explained Iowa's energy efficiency potential. Information from a Department of Energy Analysis "Potential Impacts of Energy Efficient and Low carbon Technologies by 2010 and Beyond" was used to determine an Iowa analysis of a 20%

reduction in use in Iowa energy. The web site for this report is: http://www.ornl.gov/ornl/energy_eff/labweb.html

Information was presented regarding the benefits of energy efficiency. When money is spent on energy efficiency in Iowa that money stays in Iowa which creates jobs. For every million dollar investment in energy efficiency in Iowa you create 25 job years. Around 4,000 tons of pollution is avoided for every \$1 million invested in energy efficiency. Money saved through energy efficiency will improve local economies by keeping those dollars in the local economy instead of going out of state for energy bills. Energy efficiency projects to reduce consumption makes Iowans less vulnerable to price spikes and supply disruptions. Energy efficiency and renewable energy can reduce peak loads which enhances reliability.

There is great potential for renewable energy in Iowa. Iowa can potentially generate 4.8 times our consumption from wind, or 40% of our own consumption through biomass. Dave Hurd posed the question regarding whether other states are subsidizing construction on wind turbines or other renewable energy sources. Monica Stone will provide a spreadsheet with that information.

(Spreadsheet provided to task force members.)

ENERGY EFFICIENCY AND RENEWABLE ENERGY: A SPRINGBOARD FOR DEVELOPMENT

Sharon Timmins, Regulatory Assistance Coordinator, Iowa Department of Economic Development

The linkages between the 3Es--Energy, the Economy, and the Environment--will be a reoccurring theme throughout our endeavors. Meeting the challenges presented by these linkages will require communication and collaboration among key stakeholders for implementing strategies developed by the task force.

Cost-effective energy efficient technologies and the production of renewable energy resources can serve as a springboard to economic development for manufacturers, entrepreneurs, and other service providers desiring to enter the market place. The Department of Economic Development can provide experience in working with small businesses and assist with entrepreneurial development to foster economic growth of those businesses with the greatest growth potential.

TASK FORCE DISCUSSION:

David Hurd: I would like to discuss the meeting schedule. How often do we want to meet, for how long, if meetings can be done by video conferencing to reduce travel?

Lee Clancey: Another alternative is to work by committees on specific, distinct areas that have been identified and meet less frequently as a whole task force.

George VanDamme: I think we should meet as a whole task force a few more times to develop a relationship and get to know one another. Then we can try and combine interests in order to break out into groups. Another thing to think about is if we will need a facilitator.

Roger Amhof: I am interested to find out whether there is a long-term national energy policy that we might be able to work from. Most of the energy we talked about today, we don't control in the state. What those national policies are, or may be, will have a definite impact on what we recommend.

Kent McLaughlin: I have also thought about that on several different instances today. We should also see what other states that have been challenged with this same type of thing. Is there any information or can we collect that information from them to review by the next meeting? They are faced with the same type of federal issues that we might be. We may be able to step over those hurdles that they have already dealt with before continuing with some of our specific goals and strategies.

Sandy Opstevdt: I think we need a lot more information before we can really make a game plan of where we are going. I think we need a lot more information like: How many outages and how long they have lasted? Is there more detailed information on the infrastructure of gas and electric utilities within the state, such as; where the projected needs are going to lie, power lines or pole structures that are obsolete and will need replacement? What is the availability of manpower? How did they compile some of the facts and figures that were presented today? If we could have somebody that could address those issues and provide us with additional information, it would be beneficial in moving forward.

Lee Clancey: I'm just asking this as a clarification.....you are talking about information we need directly from the providers? How they plan to meet future needs? How they plan to address issues of infrastructure? Then we could put together a panel.

George VanDamme: Also probably on the panel, someone should explain the obligation to serve. Utilities have one in a regulated environment, that's one reason for price spikes too. How are the utilities going to meet that obligation to serve, both in the generation and delivery function? I don't know if that is the Utilities Board, the utilities themselves or consumer advocate. Maybe it is a combination of all of them.

ALL: General discussion of task force members regarding date of next meeting.

David Hurd: Next meeting will be at 1:00 p.m. – 4:00 p.m., Wednesday, November 1 at the Iowa Utilities Board. The meeting following that will be at 10:00 a.m. – 2:00 p.m. on Tuesday November 14, also at the Iowa Utilities Board. Maybe after these scheduled meetings we will know better what frequency we want.

George VanDamme: I would like to ask the co-chairs to consider narrowing the scope of the meetings down to specific categories such as; electricity, fuels, energy efficiency and low income. Those are the just a few that come to mind that we discussed today, so we don't have to discuss everything simultaneously.

Lee Clancey: I would like to discuss how we are going to handle persons requesting to be on the task force agenda. Should we do it on a case-by-case basis? Whoever wants to speak will speak? No one speaks unless invited.

Lisa Davis-Cook: I would like to suggest a public comments period for our meetings. It may not be in every meeting, but in some of our meetings.

Lee Clancey: We'll come up with some guidelines for that. Now we need to try and decide how we will make decisions. By consensus, majority rules, by vote?

David Hurd: I would be inclined to defer that decision. I don't think we need to make it right now. Let's give ourselves a chance to get to know each other a little more and think about what we would be comfortable with in decision making.

Lee Clancey: We will defer that decision until another time. On the 2010 Council, we ended up doing decision making by majority simply because the issues we were dealing with were so controversial in nature and it would have been almost impossible to come to consensus without watering things down so tremendously that they would have been meaningless. I think consensus is a wonderful tool, but when you're dealing with tough issues like this one, over the next year, we may want to do something a little less time consuming. I am perfectly willing to delay this decision. Thank you all for coming today.

David Hurd: I would encourage us, as the mood strikes, to communicate with each other outside of meetings. This is a good way of testing ideas, bring ideas up and keep the dialog rolling.

Lee Clancey: We are adjourned.

MEETING ADJOURNED 3:30 PM